

Geography of Firm Demography: An Exploratory Analysis

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Abstract

Firm demography has received considerable attention in recent years. There are numerous theoretical and empirical studies that shed light on the dynamics of firm survival and growth. These studies show that new firms start small, small firms are less likely to survive, and small firms grow faster conditional on their survival. In this paper, we study the survival process in Turkish textile industries. Our study is focused on two aspects of the survival process that has been neglected in the literature: endogeneity of the entry size, and the role of geography in shaping entry and exit decisions. We show that the entrepreneur determines the entry size taking into account the risk of failure, and that decision leads to the observed correlation between the entry size and survival probability. Geographical factors are also among the determinants of entry size and survival.